

Message Text

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ACTION EB-06

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 SWF-01

CIEP-01 FRB-01 OMB-01 L-01 SS-15 H-01 /049 W

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R 290642Z OCT 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7893

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E.O. 11652: N/A

TAGS: ETRD, TH, EAGR

SUBJ: COTTON CONTRACTS

REF: A. STATE 23390

B. AGR TH 4071, OCTOBER 17, 1974

1. EFFECT OF CCC CREDIT TO TEXTILE INDUSTRY WAS REPORTED IN REFERENCE B). ALTHOUGH MANY FIRMS HAVE REQUESTED CCC CREDIT, US EXPORTERS HOLDING CONTRACTS OBLIGATED ENTIRE AUTHORIZATION, MUCH OF WHICH WENT TO FIRMS WHO ARE UNABLE TO OBTAIN BANK CONFIRMATION. MANY THAI TEXTILE FIRMS HAVE REACHED THE LIMIT OF BANK FINANCING AND BANKS ARE RELUCTANT TO OPEN LETTER OF CREDIT (LOC).

2. THE OFFICE OF THE AGRICULTURAL ATTACHE CONTACTED THE GENERAL MANAGER OF K COTTON AND GAUZE CO. WHO GAVE THE FOLLOWING INFORMATION:

K COTTON HAS ASKED THE U.S. EXPORTER TO NEGOTIATE THE PRICE OF THE COTTON, BUT THEEXPORTER HAS REFUSED AND INFORMED K COTTON THAT THEY WANT TO TAKE THE PROBLEM TO AN ARBITRATOR.

K COTTON WOULD LIKE TO OPEN THE LOC'S, BUT THEIR BANK WILL NOT EXTEND ADDITIONAL CREDIT BECAUSE THE FIRM IS OVER DRAWN. THE LIMITED OFFICIAL USE

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BANK WILL OPEN LOC'S ON THE EQUIVALENT SPOT PRICE OF COTTON,

THE COTTON CAN THEN BE USED AS COLLATERAL. K COTTON WOULD THEN BE FORCED TO PAY CASH FOR THE DIFFERENCE BETWEEN THE SPOT PRICE AND THE CONTRACT PRICE. K COTTON CLAIMS THEY ARE NOT IN A COASH POSITION THAT WOULD PERMIT THIS.

THE CONTRACT PRICE IS OVER \$0.70 PER POUND, WHILE THE PRESENT SPOT PRICE IS ABOUT \$0.48 A POUND. THIS MEANS K COTTON WOULD BE REQUIRED TO PAY CASH OF ABOUT \$0.25 TO \$0.30 PER POUND.

3. COMMENT: THE AGRICULTURAL ATTACHE HAS RECEIVED NO INFORMATION STATING THAT CCC CREDIT HAS BEEN MADE AVAILABLE TO K COTTON AND GAUZE CO. THE U.S. BANKS CONSIDER K COTTON A GOOD RISK, BUT PREFER TO CONFIRM THE CCC CREDIT RATHER THAN ISSUE A LOC.
KINTNER

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Message Attributes

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